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COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

AT RICHMOND, November 6, 1998

APPLICATION OF

PREFERRED CARRIER SERVICES  
OF VIRGINIA, INC.

CASE NO. PUC980113

For a declaratory judgment  
concerning authority to  
provide local exchange  
telephone service

ORDER GRANTING WAIVERS

On September 3, 1998, the Commission entered its Order Inviting Comments directing Preferred Carrier Services of Virginia, Inc. ("PCSV") to publish notice concerning its Petition for a Declaratory Judgment with Request for Expedited Treatment of Petition and Grant of Authority to Provide Local Telephone Service Pending Final Disposition ("Petition"). The notice informed interested persons that comments or requests for hearing were due on or before October 9, 1998. The Commission has not received any requests for hearings, but did receive comments from the Virginia Poverty Law Center, Inc., AX Telecommunications, Inc., 1-800 Reconex, Inc. and additional comments of PCSV.

PCSV proposes to provide a prepaid, month-by-month local telephone service to customers which blocks access to toll, operator services (including collect and third party calls) and

directory assistance in exchange for no credit check or deposit requirement.

The Commission is unconvinced by PCSV's argument that waivers are not necessary for it to provide its proposed service. PCSV claims that customers would choose to block access to such services and that such blocking is not prohibited by the Rules Governing the Offering of Competitive Local Exchange Telephone Service, 20 VAC 5-400-180 ("Rules"). In addition, PCSV further claims that certain call restriction services are competitive and not subject to tariff and pricing requirements.

The Commission finds the nature of PCSV's prepaid, month-by-month proposed service to be a local exchange telephone service, subject to the requirements of the Rules. Therefore, the Commission determines that waivers for certain provisions of the Rules are required before the service may be offered.

Specifically, § C of the Rules sets forth certain conditions which, at a minimum, a new entrant must provide to its local exchange customers. Included among those conditions is access to directory assistance (§ C.1.d); access to operator services (§ C.1.e); equal access to interLATA long distance carriers (§ C.1.f); and access to intraLATA service (§ C.5). The restricted prepaid local exchange service proposed by PCSV does not comply with these conditions.

In addition, the proposed PCSV service would not conform with the price-ceiling requirement set forth in § D.3 of the Rules. Section D.3.c establishes a price ceiling of the highest tariff rate as of January 1, 1996, for comparable services of any incumbent local exchange company serving within the certificated local service area of the new entrant. According to available marketing information, the cost of the proposed service will greatly exceed the price of the comparable local exchange service provided by incumbent local exchange companies in Virginia<sup>1</sup>.

However, under § D.3.d, the Commission may permit rates of a new entrant's local exchange services(s) that do not conform with established price ceilings, unless there is a showing that the public interest will be harmed.

While the prepaid, month-by-month service PCSV proposes to offer does not fully conform with the Rules, the Commission does not conclude at this time that it will harm the public interest. It may enable certain individuals, who are not otherwise eligible for traditional telephone service, to acquire some form of local telephone service. We have therefore decided that with certain waivers and conditions set out below, PCSV may offer its service in Virginia.

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<sup>1</sup> PCSV plans to provide the local service by selling 30-day cards through convenience stores such as 7-Elevens. An activation card is priced at \$69.99 with subsequent monthly cards priced at \$49.99.

A condition to be attached to the prepaid, month-by-month local exchange service is full disclosure to consumers about the services PCSV will and will not furnish. Sales brochures and other marketing and advertising materials must disclose that customers will have no access to directory assistance, to operator services, to long distance service, to collect and third party calls, or to any other pay-for-usage services.

In accordance with § D.3.d, the Commission will allow PCSV to offer this service without the price ceilings established by § D.3.c. In addition, we waive the following § C conditions for certification: § C.1.d, access to directory assistance; § C.1.e, access to operator services and § C.1.f, equal access to interLATA long distance carriers as well as § C.5, access to intraLATA services. These waivers are limited solely to the prepaid, month-by-month local service described in PCSV's filing. To the extent PCSV offers any other local exchange services, those must be in full compliance with all the Rules unless additional waivers are granted.

The waivers granted for PCSV's prepaid, month-by-month service are subject to revocation, alteration, or the imposition of additional conditions such as pricing restrictions in the event the Commission subsequently determines the service is

operating improperly or is not in the public interest.

Accordingly,

IT IS THEREFORE ORDERED THAT:

(1) Subject to conditions set forth above, PCSV is granted waivers from requirements of §§ C.1.d, C.1.e, C.1.f, and C.5 in order to offer its prepaid, month-by-month local exchange service.

(2) PCSV shall provide disclosure to consumers as described above.

(3) PCSV is permitted to price its prepaid, month-by-month local exchange service without conforming to price ceiling requirements of § D.3.c of the Commission Rules.

(4) PCSV must file tariffs for the prepaid, month-by-month service.

(5) Any other PCSV local exchange services must be tariffed and comply with all the Rules.

(6) This case shall remain open to evaluate PCSV's prepaid, month-by-month local exchange service.